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GLADSTONE INVESTMENT CORPORATION

**UNITED STATES BANKRUPTCY COURT**  
**CENTRAL DISTRICT OF CALIFORNIA – SANTA BARBARA**

In re

CHANNEL TECHNOLOGIES GROUP,  
LLC,

Debtor.

CORPORATE RECOVERY  
ASSOCIATES, LLC, as Trustee for the  
Liquidating Trust of Channel  
Technologies Group, LLC,

Plaintiff,

vs.

BLUE WOLF CAPITAL PARTNERS,  
LLC, BLUE WOLF CAPITAL FUND  
II, L.P., GLADSTONE INVESTMENT  
CORPORATION, BLUE WOLF  
CAPITAL ADVISORS L.P., BW  
PIEZO HOLDINGS, LLC, FIDUS  
INVESTMENT CORPORATION,  
FIDUS MEZZANINE CAPITAL II,  
L.P., AVANTE MEZZANINE  
PARTNERS SBIC, LP, AVANTE  
MEZZANINE PARTNERS II, INC.,  
PENGDI HAN, DHAN, LLC, GRANT  
THORNTON, LLP, CTG ADVANCED  
MATERIALS, LLC, CTS  
CORPORATION, ELECTRO  
OPTICAL INDUSTRIES, DUFF &  
PHELPS, and CIT BANK, N.A.

Defendants.

Case No. 9:16-BK-11912-DS

Chapter: 11

Adv. No. 9:18-AP-01058-DS

**DEFENDANT GLADSTONE  
INVESTMENT CORPORATION'S  
ANSWER TO PLAINTIFF'S  
FIRST AMENDED COMPLAINT**

**DEMAND FOR JURY TRIAL**

1 Defendant Gladstone Investment Corporation (“Gladstone”), hereby responds  
2 to the first amended complaint (“FAC”) filed by plaintiff Corporate Recovery  
3 Associates, LLC (“Plaintiff”) as follows:

4 **I. SUMMARY**

5 1. Paragraph 1 of the FAC does not set forth allegations to which a  
6 response by Gladstone is required, but instead sets forth a summary of the Plaintiff’s  
7 theory of the case. To the extent a response is required, Gladstone denies the  
8 allegations in paragraph 1 of the FAC, denies that it engaged in any wrongdoing,  
9 denies that Plaintiff is entitled to assert any cause of action against Gladstone, and  
10 denies that Plaintiff is otherwise entitled to the relief requested, or to any relief,  
11 against Gladstone.

12 **II. PARTIES**

13 2. Gladstone lacks information or knowledge so as to form a belief as to  
14 the truth of the allegations contained in paragraph 2 of the FAC. As such,  
15 Gladstone denies the allegations contained in paragraph 2 of the FAC.

16 3. Gladstone lacks information or knowledge so as to form a belief as to  
17 the truth of the allegations contained in paragraph 3 of the FAC. As such,  
18 Gladstone denies the allegations contained in paragraph 3 of the FAC.

19 4. Gladstone lacks information or knowledge so as to form a belief as to  
20 the truth of the allegations contained in paragraph 4 of the FAC. As such,  
21 Gladstone denies the allegations contained in paragraph 4 of the FAC.

22 5. Gladstone lacks information or knowledge so as to form a belief as to  
23 the truth of the allegations contained in paragraph 5 of the FAC. As such,  
24 Gladstone denies the allegations contained in paragraph 5 of the FAC.

25 6. Gladstone admits that it is a Delaware corporation and may be served  
26 via its registered agent in Delaware. Further answering paragraph 6 of the FAC,  
27 Gladstone denies the remaining allegations.  
28

1           7. Gladstone lacks information or knowledge so as to form a belief as to  
2 the truth of the allegations contained in paragraph 7 of the FAC. As such,  
3 Gladstone denies the allegations contained in paragraph 7 of the FAC.

4           8. Gladstone lacks information or knowledge so as to form a belief as to  
5 the truth of the allegations contained in paragraph 8 of the FAC. As such,  
6 Gladstone denies the allegations contained in paragraph 8 of the FAC.

7           9. Gladstone lacks information or knowledge so as to form a belief as to  
8 the truth of the allegations contained in paragraph 9 of the FAC. As such,  
9 Gladstone denies the allegations contained in paragraph 9 of the FAC.

10          10. Gladstone lacks information or knowledge so as to form a belief as to  
11 the truth of the allegations contained in paragraph 10 of the FAC. As such,  
12 Gladstone denies the allegations contained in paragraph 10 of the FAC.

13          11. Gladstone lacks information or knowledge so as to form a belief as to  
14 the truth of the allegations contained in paragraph 11 of the FAC. As such,  
15 Gladstone denies the allegations contained in paragraph 11 of the FAC.

16          12. Gladstone lacks information or knowledge so as to form a belief as to  
17 the truth of the allegations contained in paragraph 12 of the FAC. As such,  
18 Gladstone denies the allegations contained in paragraph 12 of the FAC.

19          13. Gladstone lacks information or knowledge so as to form a belief as to  
20 the truth of the allegations contained in paragraph 13 of the FAC. As such,  
21 Gladstone denies the allegations contained in paragraph 13 of the FAC.

22          14. Gladstone lacks information or knowledge so as to form a belief as to  
23 the truth of the allegations contained in paragraph 14 of the FAC. As such,  
24 Gladstone denies the allegations contained in paragraph 14 of the FAC.

25          15. Gladstone lacks information or knowledge so as to form a belief as to  
26 the truth of the allegations contained in paragraph 15 of the FAC. As such,  
27 Gladstone denies the allegations contained in paragraph 15 of the FAC.  
28

1           16. Gladstone lacks information or knowledge so as to form a belief as to  
2 the truth of the allegations contained in paragraph 16 of the FAC. As such,  
3 Gladstone denies the allegations contained in paragraph 16 of the FAC.

4           17. Gladstone lacks information or knowledge so as to form a belief as to  
5 the truth of the allegations contained in paragraph 17 of the FAC. As such,  
6 Gladstone denies the allegations contained in paragraph 17 of the FAC.

7           18. Gladstone lacks information or knowledge so as to form a belief as to  
8 the truth of the allegations contained in paragraph 18 of the FAC. As such,  
9 Gladstone denies the allegations contained in paragraph 18 of the FAC.

10          19. Gladstone lacks information or knowledge so as to form a belief as to  
11 the truth of the allegations contained in paragraph 19 of the FAC. As such,  
12 Gladstone denies the allegations contained in paragraph 19 of the FAC.

13          20. Gladstone lacks information or knowledge so as to form a belief as to  
14 the truth of the allegations contained in paragraph 20 of the FAC. As such,  
15 Gladstone denies the allegations contained in paragraph 20 of the FAC.

16          21. Gladstone denies the allegations contained in paragraph 21 of the FAC  
17 to the extent such allegations are directed to Gladstone. Further responding,  
18 Gladstone denies the allegations in the last sentence of paragraph 21 of the FAC.  
19 Gladstone lacks information or knowledge so as to form a belief as to the truth of  
20 the remaining allegations contained paragraph 21 of the FAC. As such, Gladstone  
21 denies the remaining allegations contained in paragraph 21 of the FAC.

22          22. Gladstone denies the allegations contained in paragraph 22 of the FAC  
23 to the extent such allegations are directed to Gladstone. Gladstone lacks  
24 information or knowledge so as to form a belief as to the truth of the remaining  
25 allegations contained paragraph 22 of the FAC. As such, Gladstone denies the  
26 remaining allegations contained in paragraph 22 of the FAC and denies that it  
27 engaged in any wrongdoing.  
28

1 **III. JURISDICTION**

2 23. Gladstone denies that the Bankruptcy Court has jurisdiction over this  
3 action and further denies that this is a core proceeding. Gladstone does not consent  
4 to the entry of final orders or judgments by the Bankruptcy Court in this action.  
5 Gladstone denies the remaining allegations in paragraph 23 of the FAC.

6 **IV. FACTS**

7 24. Gladstone admits the allegations contained in paragraph 24 of the FAC.

8 25. Gladstone denies the allegations contained in paragraph 25 of the FAC  
9 to the extent such allegations are directed to Gladstone. Gladstone lacks  
10 information or knowledge so as to form a belief as to the truth of the remaining  
11 allegations contained paragraph 25 of the FAC. As such, Gladstone denies the  
12 remaining allegations contained in paragraph 25 of the FAC.

13 26. Answering paragraph 26 of the FAC, Gladstone admits CTG was  
14 acquired by BW Piezo. Further answering, Gladstone would refer to the referenced  
15 operating agreement itself for its content and meaning and states that the operating  
16 agreement speaks for itself. Gladstone lacks information or knowledge so as to  
17 form a belief as to the truth of the remaining allegations contained in paragraph 26  
18 of the FAC. As such, Gladstone denies the remaining allegations contained in  
19 paragraph 26 of the FAC.

20 27. Answering paragraph 27 of the FAC, Gladstone would refer to the  
21 referenced operating agreement itself for its content and meaning and states that the  
22 operating agreement speaks for itself. Gladstone lacks information or knowledge so  
23 as to form a belief as to the truth of the remaining allegations contained in paragraph  
24 27 of the FAC. As such, Gladstone denies the remaining allegations contained in  
25 paragraph 27 of the FAC.

26 28. Gladstone denies the allegations contained in paragraph 28 of the FAC  
27 to the extent such allegations are directed to Gladstone. Gladstone lacks  
28

1 information or knowledge so as to form a belief as to the truth of the remaining  
2 allegations contained paragraph 28 of the FAC. As such, Gladstone denies the  
3 remaining allegations contained in paragraph 28 of the FAC.

4 29. Gladstone denies the allegations contained in paragraph 29 of the FAC  
5 to the extent such allegations are directed to Gladstone. Gladstone lacks information  
6 or knowledge so as to form a belief as to the truth of the remaining allegations  
7 contained paragraph 29 of the FAC. As such, Gladstone denies the remaining  
8 allegations contained in paragraph 29 of the FAC.

9 30. Gladstone denies the allegations contained in paragraph 30 of the FAC  
10 to the extent such allegations are directed to Gladstone. Gladstone lacks  
11 information or knowledge so as to form a belief as to the truth of the allegations  
12 contained in paragraph 30 of the FAC. As such, Gladstone denies the allegations  
13 contained in paragraph 30 of the FAC.

14 31. Answering paragraph 31 of the FAC, Gladstone admits that BW Piezo  
15 entered into a transaction and thereby acquired H.C. Materials. Gladstone lacks  
16 information or knowledge so as to form a belief as to the truth of the remaining  
17 allegations contained in paragraph 31 of the FAC. As such, Gladstone denies the  
18 allegations contained in paragraph 31 of the FAC.

19 32. Gladstone lacks information or knowledge so as to form a belief as to  
20 the truth of the allegations contained in paragraph 32 of the FAC. As such,  
21 Gladstone denies the allegations contained in paragraph 32 of the FAC.

22 33. Gladstone lacks information or knowledge so as to form a belief as to  
23 the truth of the allegations contained in paragraph 33 of the FAC. As such,  
24 Gladstone denies the allegations contained in paragraph 33 of the FAC.

25 34. Gladstone lacks information or knowledge so as to form a belief as to  
26 the truth of the allegations contained in paragraph 34 of the FAC. As such,  
27 Gladstone denies the allegations contained in paragraph 34 of the FAC.  
28

1           35. Gladstone lacks information or knowledge so as to form a belief as to  
2 the truth of the allegations contained in the first sentence of paragraph 35 of the  
3 FAC. Further answering, Gladstone denies the remaining allegations in paragraph  
4 35 of the FAC to the extent such allegations are directed to Gladstone. Gladstone  
5 lacks information or knowledge so as to form a belief as to the truth of the  
6 remaining allegations contained in paragraph 34 of the FAC that are not directed to  
7 Gladstone, and as such, Gladstone denies such remaining allegations contained in  
8 paragraph 34 of the FAC.

9           36. Answering paragraph 36 of the FAC, Gladstone admits upon  
10 information and belief that Mr. Phillips was removed from his position at CTG and  
11 replaced by Christopher Holmes. Gladstone lacks information or knowledge so as  
12 to form a belief as to the truth of the remaining allegations contained in paragraph  
13 36 of the FAC. As such, Gladstone denies the remaining allegations contained in  
14 paragraph 36 of the FAC.

15           37. Gladstone lacks information or knowledge so as to form a belief as to  
16 the truth of the allegations contained in paragraph 37 of the FAC. As such,  
17 Gladstone denies the allegations contained in paragraph 37 of the FAC.

18           38. Gladstone lacks information or knowledge so as to form a belief as to  
19 the truth of the allegations contained in paragraph 38 of the FAC. As such,  
20 Gladstone denies the allegations contained in paragraph 38 of the FAC.

21           39. Answering paragraph 39 of the FAC, Gladstone admits that BW Piezo  
22 sold CTG Advanced Materials in or about March 2016. Gladstone denies the  
23 remaining allegations contained in paragraph 39 of the FAC to the extent such  
24 allegations are directed to Gladstone. Gladstone lacks information or knowledge so  
25 as to form a belief as to the truth of the remaining allegations contained in paragraph  
26 39 of the FAC that are not directed to Gladstone, and as such, Gladstone denies such  
27 remaining allegations contained in paragraph 39 of the FAC.  
28

1           40. Gladstone denies the allegations contained in paragraph 40 of the FAC  
2 to the extent such allegations are directed to Gladstone. Further answering,  
3 Gladstone lacks information or knowledge so as to form a belief as to the truth of  
4 the remaining allegations contained in paragraph 40 of the FAC. As such,  
5 Gladstone denies the remaining allegations contained in paragraph 40 of the FAC.

6           41. Gladstone denies the allegations contained in paragraph 41 of the FAC.

7           42. Gladstone realleges each of its answers to the allegations contained in  
8 paragraphs 1 through 41 and 43 through 136 of the FAC as set forth above and  
9 below as if fully rewritten herein.

10          43. Gladstone denies the allegations contained in paragraph 43 of the FAC.

11          44. Answering paragraph 44 of the FAC, Gladstone admits that CTG and  
12 CTG Advanced Materials were separate entities. Further answering, paragraph 44  
13 of the FAC contains legal conclusions to which no response is required; to the  
14 extent a response is required, such legal conclusions are denied. Further answering,  
15 Gladstone lacks information or knowledge so as to form a belief as to the truth of  
16 the remaining allegations contained in paragraph 44 of the FAC. As such,  
17 Gladstone denies the remaining allegations contained in paragraph 44 of the FAC.

18          45. Gladstone denies the allegations contained in paragraph 45 of the FAC.

19          46. Gladstone denies the allegations contained in paragraph 46 of the FAC.

20          47. Gladstone denies the allegations contained in paragraph 47 of the FAC.

21          48. Gladstone denies the allegations contained in paragraph 48 of the FAC.

**V. CAUSES OF ACTION**

**Avoidance of Actual Fraudulent Transfers Under 11 U.S.C. §§ 548(a)(1)(A)  
and 550(a)**

*(Defendants the Blue Wolf Entities, the Mezzanine Lenders, Pengdi Han, DHAN,  
LLC, Duff & Phelps, and CIT Bank, N.A.)*

49. Gladstone realleges each of its answers to the allegations contained in paragraphs 1 through 48 and 50 through 136 of the FAC as set forth above and below as if fully rewritten herein.

50. Gladstone denies the allegations contained in paragraph 50 of the FAC.

51. Gladstone lacks information or knowledge so as to form a belief as to the truth of the allegations contained in paragraph 51 of the FAC. As such, Gladstone denies the allegations contained in paragraph 51 of the FAC.

52. Gladstone lacks information or knowledge so as to form a belief as to the truth of the allegations contained in paragraph 52 of the FAC. As such, Gladstone denies the allegations contained in paragraph 52 of the FAC.

53. Gladstone denies the allegations contained in paragraph 53 of the FAC.

54. Gladstone denies the allegations contained in paragraph 54 of the FAC.

55. Gladstone denies the allegations contained in paragraph 55 of the FAC.

56. Gladstone denies the allegations contained in paragraph 56 of the FAC.

57. Answering paragraph 57 of the FAC, Gladstone admits only that it received funds in the amount of \$752,245.09, and denies any remaining allegations to the extent such allegations are directed to Gladstone. Gladstone lacks information or knowledge so as to form a belief as to the truth of the remaining allegations in paragraph 57 of the FAC. As such, Gladstone denies such remaining allegations contained in paragraph 57 of the FAC.

1 58. Gladstone denies the allegations contained in paragraph 58 of the FAC  
2 and denies that the Plaintiff is entitled to the relief described therein, or to any relief,  
3 against Gladstone.

4 **Avoidance of Constructive Fraudulent Transfers Under 11 U.S.C. § 548(a)(1)(B)**  
5 *(Defendants the Blue Wolf Entities, the Mezzanine Lenders, Pengdi Han, DHAN,*  
6 *LLC, Duff & Phelps, and CIT Bank, N.A.)*

7 59. Gladstone realleges each of its answers to the allegations contained in  
8 paragraphs 1 through 58 and 60 through 136 of the FAC as set forth above and  
9 below as if fully rewritten herein.

10 60. Gladstone denies the allegations contained in paragraph 60 of the FAC.

11 61. Gladstone lacks information or knowledge so as to form a belief as to  
12 the truth of the allegations contained in paragraph 61 of the FAC. As such,  
13 Gladstone denies the allegations contained in paragraph 61 of the FAC.

14 62. Gladstone lacks information or knowledge so as to form a belief as to  
15 the truth of the allegations contained in paragraph 62 of the FAC. As such,  
16 Gladstone denies the allegations contained in paragraph 62 of the FAC.

17 63. Gladstone denies the allegations contained in paragraph 63 of the FAC.

18 64. Gladstone denies the allegations contained in paragraph 64 of the FAC.

19 65. Gladstone denies the allegations contained in paragraph 65 of the FAC.

20 66. Gladstone denies the allegations contained in paragraph 66 of the FAC.

21 67. Answering paragraph 67 of the FAC, Gladstone admits only that it  
22 received funds in the amount of \$752,245.09, and denies any remaining allegations  
23 to the extent such allegations are directed to Gladstone. Gladstone lacks  
24 information or knowledge so as to form a belief as to the truth of the remaining  
25 allegations in paragraph 67 of the FAC. As such, Gladstone denies such remaining  
26 allegations contained in paragraph 67 of the FAC.

1 68. Gladstone denies the allegations contained in paragraph 68 of the FAC  
2 and denies that the Plaintiff is entitled to the relief described therein, or to any relief,  
3 against Gladstone.

4 **Violation of California Uniform Fraudulent Transfer Act (Actual Fraud)**  
5 *(Defendants the Blue Wolf Entities, the Mezzanine Lenders, Pengdi Han, DHAN,*  
6 *LLC, Duff & Phelps, and CIT Bank, N.A.)*

7 69. Gladstone realleges each of its answers to the allegations contained in  
8 paragraphs 1 through 68 and 70 through 136 of the FAC as set forth above and  
9 below as if fully rewritten herein.

10 70. Gladstone denies the allegations contained in paragraph 70 of the FAC.

11 71. Gladstone lacks information or knowledge so as to form a belief as to  
12 the truth of the allegations contained in paragraph 71 of the FAC. As such,  
13 Gladstone denies the allegations contained in paragraph 71 of the FAC.

14 72. Gladstone lacks information or knowledge so as to form a belief as to  
15 the truth of the allegations contained in paragraph 72 of the FAC. As such,  
16 Gladstone denies the allegations contained in paragraph 72 of the FAC.

17 73. Gladstone denies the allegations contained in paragraph 73 of the FAC.

18 74. Gladstone denies the allegations contained in paragraph 74 of the FAC.

19 75. Gladstone denies the allegations contained in paragraph 75 of the FAC.

20 76. Gladstone denies the allegations contained in paragraph 76 of the FAC.

21 77. Answering paragraph 77 of the FAC, Gladstone admits only that it  
22 received funds in the amount of \$752,245.09, and denies any remaining allegations  
23 to the extent such allegations are directed to Gladstone. Gladstone lacks  
24 information or knowledge so as to form a belief as to the truth of the remaining  
25 allegations in paragraph 77 of the FAC. As such, Gladstone denies such remaining  
26 allegations contained in paragraph 77 of the FAC.

**Violation of California Uniform Fraudulent Transfer Act (Constructive Fraud)**

*(Defendants the Blue Wolf Entities, the Mezzanine Lenders, Pengdi Han, DHAN, LLC, Duff & Phelps, and CIT Bank, N.A.)*

78. Gladstone realleges each of its answers to the allegations contained in paragraphs 1 through 77 and 79 through 136 of the FAC as set forth above and below as if fully rewritten herein.

79. Gladstone denies the allegations contained in paragraph 79 of the FAC.

80. Gladstone lacks information or knowledge so as to form a belief as to the truth of the allegations contained in paragraph 80 of the FAC. As such, Gladstone denies the allegations contained in paragraph 80 of the FAC.

81. Gladstone lacks information or knowledge so as to form a belief as to the truth of the allegations contained in paragraph 81 of the FAC. As such, Gladstone denies the allegations contained in paragraph 81 of the FAC.

82. Gladstone denies the allegations contained in paragraph 82 of the FAC.

83. Gladstone denies the allegations contained in paragraph 83 of the FAC.

84. Gladstone denies the allegations contained in paragraph 84 of the FAC.

85. Gladstone denies the allegations contained in paragraph 85 of the FAC.

86. Answering paragraph 86 of the FAC, Gladstone admits only that it received funds in the amount of \$752,245.09, and denies any remaining allegations to the extent such allegations are directed to Gladstone. Gladstone lacks information or knowledge so as to form a belief as to the truth of the remaining allegations in paragraph 86 of the FAC. As such, Gladstone denies such remaining allegations contained in paragraph 86 of the FAC.

**Avoidance of Actual Fraudulent Transfers Under 11 U.S.C. §§ 548(a)(1)(A)  
and 550(a)**

*(All Defendants)*

87. The statements in paragraph 87 of the FAC are not allegations to which a response is required. To the extent a response is deemed required, Gladstone denies the allegations in paragraph 87 of the FAC.

88. Gladstone realleges each of its answers to the allegations contained in paragraphs 1 through 87 and 89 through 136 of the FAC as set forth above and below as if fully rewritten herein.

89. Gladstone lacks information or knowledge so as to form a belief as to the truth of the allegations contained in paragraph 89 of the FAC. As such, Gladstone denies the allegations contained in paragraph 89 of the FAC.

90. Gladstone lacks information or knowledge so as to form a belief as to the truth of the allegations contained in paragraph 90 of the FAC. As such, Gladstone denies the allegations contained in paragraph 90 of the FAC.

91. Gladstone lacks information or knowledge so as to form a belief as to the truth of the allegations contained in paragraph 91 of the FAC. As such, Gladstone denies the allegations contained in paragraph 91 of the FAC.

92. Gladstone lacks information or knowledge so as to form a belief as to the truth of the allegations contained in paragraph 92 of the FAC. As such, Gladstone denies the allegations contained in paragraph 92 of the FAC.

93. Gladstone lacks information or knowledge so as to form a belief as to the truth of the allegations contained in paragraph 93 of the FAC. As such, Gladstone denies the allegations contained in paragraph 93 of the FAC.

94. Gladstone lacks information or knowledge so as to form a belief as to the truth of the allegations contained in paragraph 94 of the FAC. As such, Gladstone denies the allegations contained in paragraph 94 of the FAC.

95. Gladstone denies the allegations contained in paragraph 95 of the FAC to the extent such allegations are directed to Gladstone. Gladstone lacks information or knowledge so as to form a belief as to the truth of the remaining allegations in paragraph 95 of the FAC. As such, Gladstone denies such remaining allegations contained in paragraph 95 of the FAC.

96. Gladstone denies the allegations contained in paragraph 96 of the FAC and denies that the Plaintiff is entitled to the relief described therein, or to any relief, against Gladstone.

**Avoidance of Constructive Fraudulent Transfers Under 11 U.S.C. § 548(a)(1)(B)**  
*(All Defendants)*

97. The statements in paragraph 97 of the FAC are not allegations to which a response is required. To the extent a response is deemed required, Gladstone denies the allegations in paragraph 97 of the FAC.

98. Gladstone realleges each of its answers to the allegations contained in paragraphs 1 through 97 and 99 through 136 of the FAC as set forth above and below as if fully rewritten herein.

99. Gladstone lacks information or knowledge so as to form a belief as to the truth of the allegations contained in paragraph 99 of the FAC. As such, Gladstone denies the allegations contained in paragraph 99 of the FAC.

100. Gladstone lacks information or knowledge so as to form a belief as to the truth of the allegations contained in paragraph 100 of the FAC. As such, Gladstone denies the allegations contained in paragraph 100 of the FAC.

101. Gladstone lacks information or knowledge so as to form a belief as to the truth of the allegations contained in paragraph 101 of the FAC. As such, Gladstone denies the allegations contained in paragraph 101 of the FAC.

1           102. Gladstone lacks information or knowledge so as to form a belief as to  
2 the truth of the allegations contained in paragraph 102 of the FAC. As such,  
3 Gladstone denies the allegations contained in paragraph 102 of the FAC.

4           103. Gladstone lacks information or knowledge so as to form a belief as to  
5 the truth of the allegations contained in paragraph 103 of the FAC. As such,  
6 Gladstone denies the allegations contained in paragraph 103 of the FAC.

7           104. Gladstone denies the allegations in paragraph 104 of the FAC to the  
8 extent such allegations are directed to Gladstone. Further answering, Gladstone  
9 lacks information or knowledge so as to form a belief as to the truth of the  
10 remaining allegations contained in paragraph 104 of the FAC. As such, Gladstone  
11 denies the remaining allegations contained in paragraph 104 of the FAC.

12           105. Gladstone denies the allegations contained in paragraph 105 of the FAC  
13 to the extent such allegations are directed to Gladstone. Gladstone lacks  
14 information or knowledge so as to form a belief as to the truth of the remaining  
15 allegations in paragraph 105 of the FAC. As such, Gladstone denies such remaining  
16 allegations contained in paragraph 105 of the FAC.

17           106. Gladstone denies the allegations contained in paragraph 106 of the FAC  
18 and denies that the Plaintiff is entitled to the relief described therein, or to any relief,  
19 against Gladstone.

20                   **California Uniform Fraudulent Transfer Act (Actual Fraud)**

21                                   *(All Defendants)*

22           107. The statements in paragraph 107 of the FAC are not allegations to which  
23 a response is required. To the extent a response is deemed required, Gladstone  
24 denies the allegations in paragraph 107 of the FAC.

25           108. Gladstone realleges each of its answers to the allegations contained in  
26 paragraphs 1 through 107 and 109 through 136 of the FAC as set forth above and  
27 below as if fully rewritten herein.  
28

1           109. Gladstone lacks information or knowledge so as to form a belief as to  
2 the truth of the allegations contained in paragraph 109 of the FAC. As such,  
3 Gladstone denies the allegations contained in paragraph 109 of the FAC.

4           110. Gladstone lacks information or knowledge so as to form a belief as to  
5 the truth of the allegations contained in paragraph 110 of the FAC. As such,  
6 Gladstone denies the allegations contained in paragraph 110 of the FAC.

7           111. Gladstone lacks information or knowledge so as to form a belief as to  
8 the truth of the allegations contained in paragraph 111 of the FAC. As such,  
9 Gladstone denies the allegations contained in paragraph 111 of the FAC.

10           112. Gladstone lacks information or knowledge so as to form a belief as to  
11 the truth of the allegations contained in paragraph 112 of the FAC. As such,  
12 Gladstone denies the allegations contained in paragraph 112 of the FAC.

13           113. Gladstone lacks information or knowledge so as to form a belief as to  
14 the truth of the allegations contained in paragraph 113 of the FAC. As such,  
15 Gladstone denies the allegations contained in paragraph 113 of the FAC.

16           114. Gladstone lacks information or knowledge so as to form a belief as to  
17 the truth of the allegations contained in paragraph 114 of the FAC. As such,  
18 Gladstone denies the allegations contained in paragraph 114 of the FAC.

19           115. Gladstone denies the allegations contained in paragraph 115 of the FAC  
20 to the extent such allegations are directed to Gladstone. Gladstone lacks  
21 information or knowledge so as to form a belief as to the truth of the remaining  
22 allegations in paragraph 115 of the FAC. As such, Gladstone denies such remaining  
23 allegations contained in paragraph 115 of the FAC.

**California Uniform Fraudulent Transfer Act (Constructive Fraud)**

*(All Defendants)*

116. The statements in paragraph 116 of the FAC are not allegations to which a response is required. To the extent a response is deemed required, Gladstone denies the allegations in paragraph 116 of the FAC.

117. Gladstone realleges each of its answers to the allegations contained in paragraphs 1 through 116 and 118 through 136 of the FAC as set forth above and below as if fully rewritten herein.

118. Gladstone lacks information or knowledge so as to form a belief as to the truth of the allegations contained in paragraph 118 of the FAC. As such, Gladstone denies the allegations contained in paragraph 118 of the FAC.

119. Gladstone lacks information or knowledge so as to form a belief as to the truth of the allegations contained in paragraph 119 of the FAC. As such, Gladstone denies the allegations contained in paragraph 119 of the FAC.

120. Gladstone lacks information or knowledge so as to form a belief as to the truth of the allegations contained in paragraph 120 of the FAC. As such, Gladstone denies the allegations contained in paragraph 120 of the FAC.

121. Gladstone lacks information or knowledge so as to form a belief as to the truth of the allegations contained in paragraph 121 of the FAC. As such, Gladstone denies the allegations contained in paragraph 121 of the FAC.

122. Gladstone lacks information or knowledge so as to form a belief as to the truth of the allegations contained in paragraph 122 of the FAC. As such, Gladstone denies the allegations contained in paragraph 122 of the FAC.

123. Gladstone denies the allegations in paragraph 123 of the FAC to the extent such allegations are directed to Gladstone. Further answering, Gladstone lacks information or knowledge so as to form a belief as to the truth of the

1 remaining allegations contained in paragraph 123 of the FAC. As such, Gladstone  
2 denies the remaining allegations contained in paragraph 123 of the FAC.

3 124. Gladstone denies the allegations contained in paragraph 124 of the FAC  
4 to the extent such allegations are directed to Gladstone. Gladstone lacks  
5 information or knowledge so as to form a belief as to the truth of the remaining  
6 allegations in paragraph 124 of the FAC. As such, Gladstone denies such remaining  
7 allegations contained in paragraph 124 of the FAC.

8 **Unjust Enrichment**

9 *(All Defendants)*

10 125. Gladstone realleges each of its answers to the allegations contained in  
11 paragraphs 1 through 124 and 126 through 136 of the FAC as set forth above and  
12 below as if fully rewritten herein.

13 126. Gladstone lacks information or knowledge so as to form a belief as to  
14 the truth of the allegations contained in paragraph 126 of the FAC. As such,  
15 Gladstone denies the allegations contained in paragraph 126 of the FAC.

16 127. Gladstone denies the allegations contained in paragraph 127 of the FAC  
17 to the extent such allegations are directed to Gladstone. Gladstone lacks  
18 information or knowledge so as to form a belief as to the truth of the remaining  
19 allegations in paragraph 127 of the FAC. As such, Gladstone denies such remaining  
20 allegations contained in paragraph 127 of the FAC.

21 128. Gladstone denies the allegations contained in paragraph 128 of the FAC  
22 to the extent such allegations are directed to Gladstone. Gladstone lacks  
23 information or knowledge so as to form a belief as to the truth of the remaining  
24 allegations in paragraph 128 of the FAC. As such, Gladstone denies such remaining  
25 allegations contained in paragraph 128 of the FAC.  
26  
27  
28

**Conversion**

*(All Defendants)*

129. Gladstone realleges each of its answers to the allegations contained in paragraphs 1 through 128 and 130 through 136 of the FAC as set forth above and below as if fully rewritten herein.

130. Gladstone denies the allegations contained in paragraph 130 of the FAC.

131. Gladstone denies the allegations contained in paragraph 131 of the FAC.

132. Gladstone denies the allegations contained in paragraph 132 of the FAC.

**Breach of Fiduciary Duty**

*(Defendants Blue Wolf Entities)*

133. Gladstone realleges each of its answers to the allegations contained in paragraphs 1 through 132 and 134 through 136 of the FAC as set forth above and below as if fully rewritten herein.

134. Paragraph 134 of the FAC sets forth legal conclusions to which no response is required.

135. Gladstone denies the allegations contained in paragraph 135 of the FAC.

136. Gladstone denies the allegations contained in paragraph 136 of the FAC and denies that the Plaintiff is entitled to the relief described therein, or to any relief, against Gladstone.

Gladstone denies each and every allegation contained in the FAC not otherwise specifically admitted.

**DEFENSES**

Gladstone asserts the following further defenses to the claims set forth in the FAC. By asserting such defenses, Gladstone does not assume any burden of proof, persuasion or production not otherwise legally assigned to it.

1 **FIRST DEFENSE**

2 The FAC fails to state any claim upon which relief may be granted against  
3 Gladstone.

4 **SECOND DEFENSE**

5 Certain of Plaintiff's claims against Gladstone are barred because the alleged  
6 transfers were made in accordance with 11 U.S.C. § 548(c) and because Gladstone  
7 took for value and in good faith, and gave value to the transferor in exchange for the  
8 transfers alleged in the FAC.

9 **THIRD DEFENSE**

10 The claims asserted in the FAC are barred to the extent that Gladstone is not a  
11 transferee from which the Plaintiff may recover the value of an avoided transfer  
12 under Section 550 of the Bankruptcy Code.

13 **FOURTH DEFENSE**

14 The claims in the FAC are barred because any amounts Gladstone is alleged  
15 to have received were taken for value, in good faith, and without knowledge of the  
16 voidability of the transfer sought to be avoided.

17 **FIFTH DEFENSE**

18 The claims asserted in the FAC are barred, in whole or in part, by the single  
19 satisfaction rule set forth in Section 550(d) of the Bankruptcy Code.

20 **SIXTH DEFENSE**

21 Certain of Plaintiff's claims against Gladstone are barred because the alleged  
22 transfers were made in accordance with 11 U.S.C. § 546(e).

23 **SEVENTH DEFENSE**

24 The claims asserted in the FAC are barred by the doctrine of laches.

25 **EIGHTH DEFENSE**

26 The claims in the FAC are barred by the doctrine of estoppel.  
27  
28

**NINTH DEFENSE**

The claims in the FAC are barred under the doctrines of release and/or waiver.

**TENTH DEFENSE**

The claims in the FAC are barred by the applicable statutes of limitation.

**ELEVENTH DEFENSE**

Under the circumstances of this case, this Court lacks jurisdiction over some or all of the claims set forth in the FAC.

**TWELFTH DEFENSE**

The claims in the FAC are barred by the doctrine of unclean hands.

**THIRTEENTH DEFENSE**

The claims in the FAC are barred by the doctrine of *in pari delicto*.

**FOURTEENTH DEFENSE**

The claims in the FAC are barred because Gladstone gave fair consideration for the alleged transfers at issue in the FAC.

**FIFTEENTH DEFENSE**

The claims in the FAC are barred because Gladstone acted in good faith, and without any fraudulent intent, at all relevant times and when receiving the alleged transfers at issue in the FAC.

**SIXTEENTH DEFENSE**

The Debtor received reasonably equivalent value in consideration for the transfers alleged in the FAC.

**SEVENTEENTH DEFENSE**

The claims in the FAC are barred because the alleged transfers at issue in the FAC and any amounts Gladstone is alleged to have received are not property of the Debtor or the Debtor's estate.

**EIGHTEENTH DEFENSE**

The claims in the FAC are barred for failure to join a party needed for a just determination.

**NINETEENTH DEFENSE**

Any injury or damages to the Plaintiff should be reduced to the extent that the culpable conduct of others caused or contributed to any injury or damages that the Plaintiff may have sustained.

**TWENTIETH DEFENSE**

The claims asserted in the FAC against Gladstone are barred by the doctrine of earmarking.

**TWENTY-FIRST DEFENSE**

The acts, omissions and/or damages of which Plaintiff complains, to the extent that such acts, omissions and/or damages occurred, which Gladstone denies, were performed by, or were the result of the conduct of, parties other than Gladstone, over which Gladstone did not exercise control, and for which Gladstone has no responsibility.

**TWENTY-SECOND DEFENSE**

Gladstone further asserts all defenses available under federal law and under any applicable state law. Additional facts may be revealed in discovery or otherwise that support additional defenses presently available, but unknown, to Gladstone. Gladstone therefore reserves the right to assert additional defenses in the event discovery or investigation reveals additional defenses or such additional defenses become apparent at trial.

**TWENTY-THIRD DEFENSE**

Gladstone hereby adopts and incorporates by reference any and all other defenses asserted or to be asserted by any other defendants named in the FAC to the extent that such defenses are available to Gladstone.

**DEMAND FOR JURY TRIAL**

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, made applicable in this adversary proceeding pursuant to Rule 9015 of the Federal Rules of Bankruptcy Procedure, Gladstone hereby demands a trial by jury for all issues in this adversary proceeding. Gladstone does not consent to the conduct of the jury trial by the bankruptcy judge.

WHEREFORE, having fully answered the FAC, Gladstone respectfully prays for judgment as follows:

1. That judgment is entered in favor of Gladstone and against Plaintiff;
2. That Plaintiff takes nothing by way of its FAC and that the FAC is dismissed against Gladstone with prejudice;
3. For Gladstone's attorneys' fees and costs of suit incurred herein, as permitted by law; and
4. For such other and further relief as is just and proper.

DATED: December 21, 2018      **BLANK ROME LLP**

By: /s/ Cheryl S. Chang

Cheryl S. Chang

Jessica A. McElroy

Attorneys for Defendant

GLADSTONE INVESTMENT  
CORPORATION

## PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:  
2029 Century Park East, 6<sup>th</sup> Floor, Los Angeles, CA 90067

A true and correct copy of the foregoing document entitled (*specify*): DEFENDANT GLADSTONE INVESTMENT CORPORATION'S ANSWER TO PLAINTIFF'S FIRST AMENDED COMPLAINT

will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

**1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):** Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) December 21, 2018, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- Peter J Benvenuti pbenvenuti@kellerbenvenuti.com, pjbenven74@yahoo.com
- John P Byrne John.Byrne@byrnelawcorp.com
- Cheryl S Chang Chang@Blankrome.com, Hno@BlankRome.com
- Leslie A Cohen leslie@lesliecohenlaw.com, jaimie@lesliecohenlaw.com;odalys@lesliecohenlaw.com
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- Ian Landsberg ian@landsberg-law.com, casey@landsberg-law.com;lisa@landsberg-law.com;diana@landsberg-law.com; yesi@landsberg-law.com; ilandsberg@ecf.inforuptcy.com
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- United States Trustee (ND) ustpreion16.nd.ecf@usdoj.gov
- Alan J Watson alan.watson@hklaw.com, rosanna.perez@hklaw.com

☐ Service information continued on attached page

### 2. SERVED BY UNITED STATES MAIL:

On (*date*) \_\_\_\_\_, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

☐ Service information continued on attached page

**3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL** (*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) December 21, 2018, I

This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.

served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

Hon. Deborah Saltzman  
United States Bankruptcy Court  
Edward R. Roybal Federal Building  
255 E. Temple Street, Suite 1634  
Los Angeles, CA 90012

☒ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

December 21, 2018

Sonia Gaeta

/s/ Sonia Gaeta

*Date*

*Printed Name*

*Signature*

**SERVICE LIST**

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